



**ITEM ID:** 2024-231-0

**TRANSMITTAL DATE:** June 7, 2024

**MEETING DATE:** June 14, 2024

**TO:** Audit and Finance Committee

**FROM:** Arnold Hackett, Chief Financial Officer

**SUBJECT:** Adoption of the Proposed FY2024-2025 (FY25) Arrow Service Budget

### **Issue**

Under the terms of the Joint Exercise of Powers Agreement (JPA), the Authority is required to adopt a budget for the succeeding fiscal year no later than June 30th of each year. The Proposed FY2024-25 (FY25) Arrow Service Budget consists of the Operating Budget and State of Good Repair/New Capital Projects Budget for Arrow Service.

Arrow Service provides Diesel Multiple Unit (DMU) transportation over a 9-mile rail corridor from San Bernardino-Downtown to Redlands-University. Arrow achieved revenue service in late October 2022.

This service is funded solely by San Bernardino County Transportation Authority (SBCTA).

### **Recommendation**

It is recommended that the Committee recommend that the Board of Directors:

1. Conduct a Public Hearing on the Arrow Service Budget during the Board's June 28th Meeting; and
2. Approve adoption of the FY2024-2025 Budget for Arrow Services.

### **Strategic Commitment**

This report aligns with the Strategic Business Plan commitments of:

- **Safety is Foundational:** We will stay on the leading edge by deploying new

technologies and processes to enhance the safety and security of our riders, our fellow employees, and the communities we serve.

- **Customers Are Our Business:** We respect and value our customers, putting them at the heart of all we do, and work hard to attract and retain new customers by understanding their needs and finding new and innovative ways to bring them on board.
- **Connecting and Leveraging Partnerships:** We will forge new and enhanced relationships with our public and private partners to integrate and coordinate connecting services, providing residents throughout Southern California with better, seamless, sustainable alternatives to driving.
- **Advancing Key Regional Goals:** We will grow the role of regional rail in addressing climate change, air quality, and other pressing issues by advancing toward zero emissions, making rail a compelling alternative to single-occupant automobiles and advancing equity-focused opportunities for all communities throughout Southern California.

## **Background**

### Public Hearing Requirement:

Members of the public will be notified of this public hearing in accordance with applicable requirements, by advertisements in newspapers and publications in English and foreign languages, throughout the five-county areas served by the SCRRA in the following newspapers (listed by newspaper, audience and language):

Orange County Reporter (OC), English

Ventura County Star (VT), English

Daily News (LA), English

Riverside Press Enterprise (RIV), English

San Bernardino County Sun (SB), English

LA Sentinel (African American), English

Armenian Media Network (Armenian),

Armenian Beirut Times (Arabic/Lebanese), Arabic/Lebanese

Panorama (Russian), Russian

La Opinion (Spanish), Spanish

Rafu Shimpo (Japanese), Japanese

World Journal (Chinese), Chinese

The Korean Times (Korean), Korean

Asian Journal (Tagalog), Tagalog

Nguoi Viet Daily News (Vietnamese), Vietnamese

Iranshahr Weekly (Persian), Persian

The Authority's Proposed FY25 Arrow Service Budget is posted on the [metrolinktrains.com](http://metrolinktrains.com) website.

The Proposed FY25 Arrow Service Budget with all attachments was transmitted to the San Bernardino County Transportation Authority for their consideration and adoption on May 6, 2024.

When Arrow Service began in October of 2022, no actual ridership, revenue, or expenses were available to guide development of an accurate budget. It was determined at that time, that third-party agreements would be used to cover costs of operations and capital for that year (FY23).

At the mid-point of the FY24 Budget Development (December of 2023), there was still a lack of actual information available. It was determined that a Continuing Resolution in a final amount of \$15.0M would be provided to fund the operating cost for FY24, and this amount was subsequently approved by the SBCTA Board.

With more than a year of actual information now available, it was deemed feasible to produce annual operating and capital budgets for Arrow Services for FY25.

## **Discussion**

The Proposed FY25 Arrow Service Budget was produced in collaboration with the staff of SBCTA.

The Proposed FY25 Operating Budget for Arrow Service reflects:

- Revenue of \$212K (Based on Sperry Capital / KPMG forecast in April 2024)
- Expense of \$15.7M
- Support required of \$15.5M

The comparisons of the Proposed FY25 Budget to the FY24 Continuing Resolution for Revenue, Expense and Support, including category details are shown in Attachment A.

Attachment B shows the historical details of Operating Statements for Arrow Service.

The Proposed FY25 Arrow Service Budget in Operating Statement format is presented in Attachment C.

Attachment D is a history of actual and budgeted Operating Support with variances to the Continuing Resolution.

### Capital Budget of \$1.5M

A New Capital request in the amount of \$1.5M is included in this budget request. The request covers the acquisition of a DMU Simulator in compliance with the approved training plan.

A detail of the budgeted Capital amount is in Attachment E.

### Revenue

Revenue consists of only Farebox Revenue, which is based on a forecast provided by KPMG/Sperry Capital. Revenue does not include amounts from the Student Adventure Pass Program.

### Expense consists of the following major categories:

- Train Operations = \$12.1M
- Maintenance of Way = \$1.3M

- Administration and Services = \$2.2M
- Insurance and Legal = \$0.1M

The major expense drivers in this budget are;

- Train Operators = \$4.2M
- Equipment Maintenance = \$3.5M
- Security (Sheriffs) = \$2.6M
- MOW = \$1.3M
- Operations Salaries and Fringe Benefits = \$1.1M

Operating Support required = \$15.5M

Details of all elements of the FY25 Budget, comparisons to the adopted FY24 Continuing Resolution, and Capital Project Details are attached.

- Attachment A - FY25 Proposed Operating Budget with Comparison to FY24 Continuing Resolution - Arrow Service
- Attachment B - Historical Actual and Budgeted Operating Statements - Arrow Service
- Attachment C - FY25 Proposed Operating Budget - Arrow Service
- Attachment D - History of actual and budgeted Operating Support with variances of FY25 vs FY24 - Arrow Service
- Attachment E - FY25 Capital Request for Arrow Service

### **Budget Impact**

Upon adoption by the SCRRA Board of Directors, the FY25 Arrow Budget will provide funding for the operation of Arrow Service for FY2024-2025.

### **Next Steps**

The Board will adopt the budget on June 28, 2024.

Prepared by: Christine J. Wilson, Assistant Director of Finance

Approved by: Arnold Hackett, Chief Financial Officer

### **Attachment(s)**

[Attachment A - FY25 Proposed Operating Budget with Comparison to FY24 Continuing Resolution](#)

[Attachment B - Historical Actual and Budgeted Operating Statements](#)

[Attachment C - FY25 Proposed Operating Budget](#)

[Attachment D - History of Actual and Budgeted Operating Support](#)

[Attachment E - FY25 Capital Request for Arrow Service](#)

[Presentation - Proposed FY25 Arrow Service Budget Approval](#)